

UNITED STATES DISTRICT COURT
DISTRICT OF NEVADA

* * *

PENN ENGINEERING AND
MANUFACTURING CORP.,

Plaintiff,

v.

DONGGUAN ZHENGMAO PRECISION HARDWARE FACTORY,

Defendant.

Case No. 2:18-cv-02079-GMN-EJY

REPORT AND RECOMMENDATION

Re: ECF No. 21

Plaintiff's Renewed Motion for Default Judgment and Permanent Injunction

Before the Court is Plaintiff Penn Engineering and Manufacturing Corp.'s Renewed Motion for Entry of Default Judgment and Permanent Injunction. ECF No. 21. No response to the Motion was filed.

I. BACKGROUND

A. Relevant Facts and History

Plaintiff designs and manufactures fasteners, fastener components, and fastener installation equipment for a variety of industries. On October 29, 2018, Plaintiff filed a Complaint alleging Trademark Infringement, False Designation of Origin, Trademark Counterfeiting under the Lanham Act, and Common Law Trademark Infringement and Unfair Competition Causes of Action against Defendant Dongguan Zhengmao Precision Hardware Factory (“DFP”).¹ ECF No. 1.

On November 5, 2018, an executed summons was returned for Defendant. ECF No. 7. Plaintiff alleged that it served a copy of the Summons and Complaint personally on Defendant's

¹ This is not the first action for trademark infringement Plaintiff has brought against Defendant. As noted in its Motion, Plaintiff obtained a preliminary injunction and default judgment against Defendant (under a different trade name) for trademark infringement in a prior action before the Court. *See Penn Engineering and Manufacturing Corp. v. Dongguan Fenggang Pinconn Hardware Factory*, Case No. 2:17-cv-02679-RCJ-PAL (D. Nev. 2017). The prior action in the U.S. District Court for the District of Nevada fell on the heels of similar litigation in the Eastern District of Pennsylvania, which resulted in Defendant being held in contempt of court for violating a preliminary injunction prohibiting it from infringing Plaintiff's trademark. *See Penn Eng'g & Mfg. Corp. v. Pemco Hardware, Inc.*, Case No. 2:15-cv-6277-GJP (E.D. Pa. Nov. 23, 2015).

1 “employee” Bi Xiaobo (“Xiaobo”) at the Las Vegas International Fastener Expo. ECF Nos. 7, 11 at
 2 8. On January 2, 2019, the Clerk of Court entered default against Defendant. ECF No. 9.

3 On June 10, 2020, Plaintiff filed its first Motion for Default Judgment and Permanent
 4 Injunction, which it certified was served on Defendant. ECF No. 11 at 21. The Motion was denied
 5 without prejudice on February 17, 2021 because the Court found Plaintiff failed to comply with Fed.
 6 R. Civ. P. 4’s service of process requirements. The Court gave Plaintiff thirty days to properly serve
 7 Defendant. ECF No. 13 at 2. On March 17, 2021, Plaintiff filed a Motion seeking leave to serve
 8 Defendant by alternative means, which the Court granted “to the extent that Plaintiff shall be
 9 permitted to effect service of process on Defendant by electronic mail at the email listed on
 10 Defendant’s website under the “Contact Us” section on its website.” ECF No. 16 at 3. Two days
 11 later, Plaintiff certified that it timely served Defendant. ECF No. 17. Plaintiff then filed a Renewed
 12 Request for Entry of Default against Defendant, and the Clerk of Court entered default on July 19,
 13 2021. ECF Nos. 18, 20.

14 The Order granting electronic service gave Defendant until May 7, 2021 to file a responsive
 15 pleading. ECF No. 16 at 3. However, as of the date of this Order, Defendant has not appeared in
 16 this action and Plaintiff, therefore, renews its Motion for a Default Judgment and Permanent
 17 Injunction. Plaintiff asks the Court to enjoin Defendant from engaging in the violations it alleges
 18 and to award monetary damages, costs, and attorneys’ fees. ECF No. 21.

19 B. Plaintiff’s Claims

20 Plaintiff is the owner of U.S. Registration No. 732,947 (“the PEM Mark”), which grants
 21 Plaintiff the exclusive right to use the trademark PEM or any colorable imitation. Plaintiff has also
 22 registered several additional trademarks for its fastener products (collectively, the “PEM Family of
 23 Marks”) and claims exclusive rights in numerous other federally-registered and common law marks.
 24 *Id.* at 4-9. Included among the Other PEM Marks are the “Pedestal Mark” and the “Dimpled Recess
 25 Mark” (“the Two Other Marks), both of which Defendant is accused of counterfeiting. ECF No. 1
 26 ¶ 50.

27 Plaintiff accuses Defendant of using Plaintiff’s trademarks, including the PEM mark, PEM
 28 Family of Marks, the Dimpled Recess Mark, and “numerous of the Common Law Marks” without

1 license or authorization to sell competing fastening products online. *Id.* at 11-12. Further, Plaintiff
 2 alleges that Defendant appeared at the 2018 International Fastener Expo in Las Vegas where it sold
 3 counterfeit and inferior fastening products under Plaintiff's marks. *Id.* at 12. These products fell
 4 below the standards of quality and reliability to which Plaintiff holds its own fasteners. *Id.* Plaintiff
 5 argues that Defendant has caused incalculable damage to the value of its trademarks through years'
 6 worth of counterfeit sales. ECF No. 21 at 15. Although most of the sales were made to global
 7 customers through Defendant's website, Plaintiff argues that Defendant's presence at the Las Vegas
 8 Expo supports an intent to sell infringing products to customers within the United States. *Id.*

9 As a result of these violations, Plaintiff seeks a permanent injunction against Defendant and
 10 statutory damages in the amount of \$8,000,000 under 15 U.S.C. § 1117(c)(2), which provides for
 11 enhanced damages when willful counterfeiting is present. *Id.* at 16.

12 II. DISCUSSION

13 A. The Default Judgment Standard

14 Rule 55(b) of the Federal Rules of Civil Procedure authorizes the Court to enter default
 15 judgment when the Clerk of Court previously entered default based upon a defendant's failure to
 16 answer and defend. *OCWEN Loan Servicing, LLC v. Operture, Inc.*, Case No. 17-cv-01026, 2018
 17 WL 1100904, at *1 (D. Nev. February 12, 2018). Here, the summons was returned executed on
 18 November 5, 2018. ECF No. 7. Plaintiff properly served Defendant on March 19, 2021, via email
 19 (in accordance with the Court's Order granting Alternative Service (ECF No. 16)), and proof of
 20 service was filed with the Court on March 22, 2021. ECF No. 17. Defendant has not made an
 21 appearance or attempted to respond to Plaintiff's Complaint. The Clerk's Default was entered
 22 against Defendant on July 19, 2021. ECF No. 20.

23 Failure to timely answer a properly served complaint is an appropriate basis upon which
 24 entry of default judgment may lie. *Benny v. Pipes*, 799 F.2d 489, 492 (9th Cir. 1986). This, however,
 25 does not automatically entitle plaintiff "to a court-ordered judgment." *PepsiCo. Inc. v. Cal. Sec.
 26 Cans.*, 238 F.Supp.2d 1172, 1174 (C.D. Cal. 2002). Although the Court must accept all well-pleaded
 27 facts in Plaintiff's Complaint as true, the Court is not required to consider any conclusions of law or
 28 facts that fail the well-pleaded standard. *DirecTV, Inc. v. Hoa Huynh*, 503 F.3d 847, 854 (9th Cir.

1 2007). The Court need not accept the facts establishing the amount of damages as true simply based
 2 on the pleadings. *Geddes v. United Financial Group*, 559 F.2d 557, 560 (9th Cir. 1977).

3 Courts generally disfavor default judgments because “cases should be decided upon their
 4 merits whenever reasonably possible.” *Eitel v. McCool*, 782 F.2d 1470, 1472 (9th Cir. 1986). Thus,
 5 there are seven factors the Court, in its discretion, generally considers when deciding whether to
 6 grant default judgment. *Id.* at 1471-72 (citing 6 MOORE’S FEDERAL PRACTICE § 55-05, at 55-24 to
 7 55-26). These factors include:

8 (1) the possibility of prejudice to the plaintiff, (2) the merits of plaintiff’s
 9 substantive claim, (3) the sufficiency of the complaint, (4) the sum of money at
 10 stake in the action; (5) the possibility of a dispute concerning material facts; (6)
 whether the default was due to excusable neglect, and (7) the strong policy
 underlying the Federal Rules of Civil Procedure favoring decisions on the merits.

11 *Id.*²

12 B. Application of the *Eitel* Factors to this Case

13 1. *Factor One – The Possibility of Prejudice to the Plaintiff.*

14 The Clerk of Court properly entered default against Defendant who failed to appear or
 15 respond to Plaintiff’s Complaint with which it was served. Plaintiff served the Notice of Default
 16 entered by the Clerk of Court as well as the Motion for Default Judgment on Defendant by email at
 17 its last known email address on March 19, 2021 (ECF No. 17) and, still, there has been no response
 18 from Defendant. Under these circumstances, Plaintiff has no means to litigate its claims against
 19 Defendant other than through the present method. Without judicial intervention, Plaintiff will not
 20 be able to prevent any further alleged infringement. For this reason, the Court finds the first *Eitel*
 21 factor favors entry of default judgment.

22 2. *Factors Two, Three, and Five – the Merits of Plaintiff’s Substantive Claim,
 23 the Sufficiency of the Complaint, and the Possibility of a Question of Material
 Fact.*

24 Under the well-pleaded complaint rule, Plaintiff sufficiently states claims for recovery from
 25 Defendant. Fed. R. Civ. P. 8. Thus, the third *Eitel* factor favors entry of default judgment.

26 2 In addition to these seven factors, the Court has the duty to ensure defendants were properly served and are
 27 properly before the Court. *DFSB Kollective Co. v. Bourne*, 897 F.Supp.2d 871, 877-78 (N.D. Cal. 2012). Here, as
 28 stated, the Court finds that the summons was properly issued, Defendant was properly served, Defendant failed to answer
 or otherwise respond to the Complaint, personal jurisdiction is properly exercised over Defendant, and that default
 against Defendant was properly entered by the Clerk of Court.

1 The merits of Plaintiff's claims as alleged in the Complaint (the second *Eitel* factor), when
 2 considered together with the possibility of questions of material fact (the fifth *Eitel* factor), clearly
 3 demonstrate (1) federal trademark infringement in violation of Section 32(1) of the Lanham Act, 15
 4 U.S.C. § 1114(1), (2) false designation of origin in violation of Section 43(a)(1)(A) of the Lanham
 5 Act, 15 U.S.C. § 1125(a)(1)(A), (3) trademark counterfeiting in violation of Section 15 U.S.C. §
 6 1114 of the Lanham Act, and (4) common law trademark infringement and unfair competition.

7 There is no real issue of material fact at play in this case as Defendant has offered nothing to
 8 suggest Plaintiff's well and thoroughly pleaded facts lack merit or misrepresent the truth. An
 9 examination by the Court of the facts alleged leads the Court to the same conclusion. In sum, there
 10 is nothing that warrants denial of Plaintiff's Motion. Instead, these findings militate in favor of
 11 granting default judgment in favor of Plaintiff.

12 3. *The Remaining Eitel Elements—the Sum of Money at Stake in the Action,
 13 Whether the Default Was Due to Excusable Neglect, and the Strong Policy
 14 Underlying the Federal Rules of Civil Procedure Favoring Decisions on The
 15 Merits—Lead to Granting Plaintiff's Motion.*

16 The amount at stake, \$8,000,000, is significant, and as such would normally weigh against
 17 granting default judgment. Under the fourth *Eitel* factor, however, "the court must consider the
 18 amount of money at stake in relation to the seriousness of Defendant's conduct." *PepsiCo, Inc. v.
 19 California Sec. Cans*, 238 F. Supp. 2d 1172, 1176 (C.D. Cal. 2002). Given the evidence of willful
 20 infringement in this case, as well as the alleged scope of the infringement, *see* ECF No. 21 at 15, the
 21 Court finds default judgment appropriate. There is also no issue of excusable neglect in this case
 22 and, while decisions on the merits are favored, Defendant's failure to participate in this litigation,
 23 despite substantial opportunity to do so, precludes the opportunity to consider this case through the
 24 ordinary course of litigation. The *Eitel* factors as applied to the facts of this case weigh in favor of
 25 default judgment, which the Court grants.

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1 C. Plaintiff is Entitled to Monetary and Injunctive Relief

2 Turning to the issue of damages, Plaintiff asks the Court to grant an injunction (which the
 3 Court does below) and money damages of \$8,000,000 pursuant to 15 U.S.C. § 1117(c)(2),³ providing
 4 for statutory damages of up to \$2,000,000 per counterfeit mark per type of goods where the
 5 counterfeit was willful. 15 U.S.C. § 1117(c)(2). In electing to seek statutory damages under §
 6 1117(c)(2), Plaintiff foregoes recovering damages under 15 U.S.C. § 117(a), including Defendant's
 7 profits, actual damages, and costs and attorneys' fees. 15 U.S.C. § 1117(c).

8 Taking Plaintiff's allegations as true, the Court finds evidence of willful trademark
 9 infringement. ECF No. 21 at 14, 16, 20. The Complaint alleges that Defendant advertised and sold
 10 products containing marks identical to Plaintiff's various trademarks online and at the Las Vegas
 11 Expo. ECF No. 1 ¶¶ 51-52, 54-55, 142, 148, 153, 159. Defendant is Plaintiff's direct competitor in
 12 the fastener industry and, according to Plaintiff, knew that it was using counterfeit Penn Trademarks.
 13 *Id.* Further, Defendant was involved in multiple prior infringement actions brought by Plaintiff
 14 resulting in injunctions that Defendant has ignored. *Penn Eng'g & Mfg. Corp. v. Pemco Hardware,*
 15 *Inc.*, Case No. 2:15-cv-6277-GJP (E.D. Pa. Nov. 23, 2015); *Penn Engineering and Manufacturing*
 16 *Corp. v. Dongguan Fenggang Pinconn Hardware Factory*, Case No. 2:17-cv-02679-RCJ-PAL (D.
 17 Nev. 2017). The Court finds there is no doubt that Defendant was on notice as to Plaintiff's rights
 18 in the Penn Trademarks but continued to use counterfeit marks without authorization in willful
 19 disregard of these rights. As such, statutory damages under § 1117(c)(2) are appropriate.

20 Plaintiff asks for the maximum statutory damages under § 1117(c)(2); that is, \$2,000,000 per
 21 counterfeit mark per type of goods sold. ECF No. 21 at 19. Plaintiff claims that there are four
 22 counterfeit marks the infringement of which gives rise to an award of \$2,000,000 each for a total of
 23 \$8,000,000. *Id.* However, Plaintiff fails to clearly identify the four individual counterfeit marks
 24 entitling it to relief and refers to various marks and combinations of marks inconsistently throughout

25
 26
 27 3 Section 1117(c)(2) states, "if the court finds that the use of the counterfeit mark was willful, [the plaintiff may
 28 recover], not more than \$2,000,000 per counterfeit mark per type of goods or services sold, offered for sale, or
 distributed, as the court considers just." 15 U.S.C. § 1117(C)(2).

1 its briefings.⁴ If the Court is to award Plaintiff \$2,000,000 per counterfeit mark as requested, it must
 2 have a clear understanding of which four marks entitle Plaintiff to relief.

3 The Court recognizes the importance of statutory damages in trademark infringement cases
 4 where the defendant has defaulted, depriving the plaintiff of the information necessary to measure
 5 actual damages. *Avnet, Inc. v. Avana Techs. Inc.*, 2014 U. S. Dist. LEXIS 177436, *18 (D. Nev.
 6 Dec. 3, 2014). In cases such as this one, where there is evidence of repeated, willful infringement,
 7 an award of statutory damages serves to both compensate Plaintiff for its losses and deter would-be
 8 counterfeiters, including Defendant. As the Court recognized in a previous Order against Defendant,
 9 Defendant's "persistent counterfeiting despite a federal court injunction strongly indicates that a
 10 significant deterrent is necessary to stem future infringement." *Penn Eng'g & Mfg. Corp. v.*
 11 *Dongguan Fenggang Pinconn Hardware Factory*, Case No. 2:17-cv-02679-RJC-PAL, 2018 WL
 12 3014794, at *3 (D. Nev. June 15, 2018). Unfortunately, while the Court finds statutory damages
 13 appropriate in this case, there is insufficient information before the Court at this time to award such
 14 damages.

15 As to Plaintiff's request for permanent injunctive relief, Plaintiff must demonstrate:

16 (1) that it has suffered an irreparable injury; (2) that remedies available at law, such
 17 as monetary damages, are inadequate to compensate for that injury; (3) that,
 18 considering the balance of the hardships between the plaintiff and defendant, a
 remedy in equity is warranted; and (4) that the public interest would not be
 disserved by a permanent injunction.

19 *Oakley, Inc. v. Moda Collection, LLC*, Case No. 8:16-cv-160-JCGx, 2016 WL 7495837, at *2 (C.D.
 20 Cal. Sept. 28, 2016) *citing eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 391 (2006). The Court
 21 has discretion whether to grant a permanent injunction and must consider the unique and totality of
 22 the circumstances when making this decision. *Id. citing La Quinta Worldwide LLC v. Q.R.T.M.,*
 23 *S.A. de C.V.*, 762 F.3d 867, 889 (9th Cir. 2014).

24
 25 ⁴ For example, Plaintiff's Complaint asks for "an award of damages for infringement of the PEM mark, the PEM
 26 Family of Marks, the Two Other Marks, and the Common Law Marks" suggesting that these are the four counterfeit
 27 marks supporting up to \$2,000,000 each in damages. ECF No. 1 at 26. However, the Motion for Default Judgment
 28 appears to group the original PEM Mark with the "PEM Family of Marks" and refers to them all collectively (and
 confusingly) as "the PEM Marks." ECF No 21. at 4. The Motion then goes on to discuss the Pedestal Mark and the
 Dimpled Recess Mark (referred to at different times as the "Two Other Marks" and "The Other Federal Marks")
 separately, *id.* at 6-7, giving rise to the inference that Plaintiff means for each of the Pedestal Mark and the Dimpled
 Recess Mark to count for a separate \$2,000,000 award.

1 Plaintiff demonstrates, to the satisfaction of the Court, that it has suffered irreparable injury
 2 resulting from Defendant's infringement on Plaintiff's trademarks, false designation of origin,
 3 trademark counterfeiting under the Lanham Act, and unfair competition. Remedies at law may cure
 4 some of the harm caused by Defendant's conduct, but the award of such damages will not mitigate
 5 damages arising from future infringement on Plaintiff's trademarks. Nor will remedies at law
 6 redress damage to Plaintiff's goodwill or reputation.

7 As to the balance of the equities, Defendant has not responded to Plaintiff's Complaint,
 8 Default, or either of two Motions for Default Judgment. Defendant offers nothing to the Court
 9 suggesting it is not infringing on Plaintiff's marks. Defendant does not indicate it has or will cease
 10 its infringing conduct; indeed, Defendant has continued such conduct in spite of at least two similar
 11 injunctive orders against it. And, with respect to the public interest, such interest is best served by
 12 protecting trademark rights and the consumers who turn to such marks as indicators of a product's
 13 quality and value. The public interest is also served by a permanent injunction that will discourage
 14 willful infringement and encourage participation in the legal system established to address federal
 15 claims. Because Plaintiff has satisfied all four facts required to demonstrate a permanent injunction
 16 is warranted, the Court will grant Plaintiff the injunction it seeks.

17 III. RECOMMENDATIONS

18 For each and all of the reasons stated above, IT IS HEREBY RECOMMENDED that
 19 Plaintiff's Renewed Motion for Default Judgment and Permanent Injunction (ECF No. 21) be
 20 GRANTED against Defendant.

21 IT IS FURTHER RECOMMENDED that a permanent injunction issue enjoining:

- 22 • Defendant, and anyone acting in concert with them or on their respective behalves,
 including, but not limited to their respective employees, agents, officers, directors,
 attorney's successors, affiliates, subsidiaries, and assigns (collectively, for purposes
 of these Recommendations, the "Defendant Representatives"), from infringing
 Plaintiff's trademarks, engaging in any activity that infringes on Plaintiff's
 trademark rights or engaging in any activity constituting unfair competition with
 Plaintiff;
- 26 • any third party from the manufacture, distribution, providing, selling, marketing,
 advertising or promoting fasteners bearing any of Plaintiff's Trade Dress or any other
 mark that is a copy, counterfeit, simulation, confusingly similar variation or
 colorable imitation of Plaintiff's marks;

- Defendant and Defendant Representatives from making or displaying any statement, representation, or depiction that is likely to lead the public or the trade to believe that Defendant's fasteners are in any manner approved, endorsed, licensed, sponsored, authorized, or franchised by or associated, affiliated, or otherwise connected with Plaintiff;
- Defendant and Defendant Representatives from using or authorizing any third party to use in connection with any business, goods or services any false description, false representation or false designation of origin, or any marks, names, words, symbols, devices or trade dress that falsely associates such business, goods and/or services with Plaintiff or tend to do so;
- Defendant and Defendant Representatives from registering or applying to register any trademark, service mark, domain name, trade name, or other source identifier or symbol of origin consisting of or incorporating the Trade Dress or any other mark that infringes or is likely to be confused with Plaintiff's Trade Dress, any goods or services of Plaintiff, or Plaintiff as their source; or
- aiding, assisting, or abetting any other individual or entity in doing any act prohibited by any of the above.

IT IS FURTHER RECOMMENDED that Plaintiff's request for damages be DENIED without prejudice and that Plaintiff be allowed to submit a supplemental memorandum that establishes each of the four counterfeit marks for which they seek a total award of \$8,000,000 in statutory damages under 15 U.S.C. § 1117(c)(2).

DATED this 18th day of October, 2021.

Elayna J. Youchah
ELAYNA J. YOUCHAH
UNITED STATES MAGISTRATE JUDGE

NOTICE

Pursuant to Local Rule IB 3-2, any objection to this Finding and Recommendation must be in writing and filed with the Clerk of the Court within fourteen (14) days. In 1985, the Supreme Court held that the courts of appeal may determine that an appeal has been waived due to the failure to file objections within the specified time. *Thomas v. Arn*, 474 U.S. 140, 142 (1985). The Ninth Circuit has also held that (1) failure to file objections within the specified time and (2) failure to properly address and brief the objectionable issues waives the right to appeal the District Court's order and/or appeal factual issues from the order of the District Court. *Martinez v. Ylst*, 951 F.2d 1153, 1157 (9th Cir. 1991); *Britt v. Simi Valley United Sch. Dist.*, 708 F.2d 452, 454 (9th Cir. 1983).